



USAID
FROM THE AMERICAN PEOPLE

PREPARING BUDGETS FOR USAID ASSISTANCE AWARDS TRAINING MODULE

SLIDE 1: Introduction

Welcome to the “Preparing Budgets for USAID Assistance Awards” module of USAID’s training series. This module is for organizations with limited or no experience working with the U.S. Agency for International Development, but it will be valuable for *any* organization that needs to develop accurate, complete, and reasonable budget proposals in response to USAID assistance solicitations.

SLIDE 2: Learning Objectives

Each USAID solicitation will include instructions explaining how interested organizations should prepare their proposals, including what is required when preparing a budget. This module will introduce you to the basic rules and principles for developing reasonable, realistic, and consistent cost proposals.

During this presentation, we will review how to effectively interpret USAID assistance solicitations.

We will learn how to evaluate criteria to identify a good funding fit with your organization.

We will determine key elements needed to prepare accurate budgets in response to solicitations.

And, finally, you will discover resources to help you successfully prepare proper cost proposals.

You probably have questions about specific steps to follow as you prepare budgets. We will explain the steps—and we also will note the most important things you should pay attention to while working on the documents.

As you know, it is important to follow U.S. Government and USAID regulations when you work on budgets. We will show you how to find these regulations. At the end of the module, we will also provide some helpful links to regulations and resources.

SLIDE 3: Why USAID Partners with Organizations

Why is it important for USAID to partner with organizations? USAID's mission is to lead the U.S. Government's international development and disaster assistance efforts. USAID offers this assistance on behalf of the American people through partnerships and investments that:

- Save lives;
- Reduce poverty;
- Strengthen democratic governance;
- And help people emerge from humanitarian crises and progress beyond assistance.

SLIDE 4: Assistance and Acquisition

USAID has two types of solicitations that may result in two types of awards: assistance and acquisition. They each address different needs.

Acquisition awards result in the issuance of **contracts**. To be considered for these awards, you submit a proposal. With this type of funding opportunity, USAID purchases goods and services from a contractor for the government's own use or to implement an activity. With contracts, the Agency provides primary direction to the contractors, following strict terms and conditions.

The second type of funding opportunity—assistance awards—is the one we will focus on in this module. **Assistance awards result in grants and cooperative agreements**. To be considered for this type of award, you submit an application. If you are awarded a grant or cooperative agreement, the Agency provides funds to accomplish a public purpose and will have limited involvement with implementation of the activity.

To let everyone know about an assistance award opportunity, the Agency posts a Notice of Funding Opportunity (or NOFO) that includes the specific proposal's requirements. Each announcement includes details about the award process, as well.

Both nonprofit and for-profit organizations may apply for awards. However, "profit" may not be charged to a USAID assistance award. We'll discuss this more later.

You can learn more about different types of funding opportunities in another learning module called "Understanding USAID Awards."

SLIDE 5: Rules and Regulations

Several sets of regulations govern USAID awards of all types, including assistance awards.

First, in terms of U.S. Government regulations, the Code of Federal Regulations, or CFR, governs how USAID issues assistance and acquisition awards. Within the CFR is a subset of government regulations

called the **Federal Acquisition Regulations**, or FAR. The FAR comprises the primary rules that guide how U.S. Government agencies, including USAID, acquire supplies and services. We will discuss relevant sections of the FAR as we review key elements of grants and cooperative agreements.

Next, there are the USAID internal policies found in the Agency's own **Automated Directives System**, or ADS. This document outlines all operational policies, covering all Agency and partner activities. Assistance awards, in particular, are covered by ADS Chapter 303, which is titled "Grants and Cooperative Agreements." Many of these requirements will be written into the specific funding solicitations you apply for.

There are also USAID's **Acquisition Regulations**, or the AIDAR. These regulations govern how the Agency administers public funds. It is the AIDAR that allows USAID to make reasonable assessments of contractor capabilities and determine who is responsible for costs.

Finally, potential partners should be aware of legislation that provides criteria for funding decisions. The **Federal Grant and Cooperative Agreement Act** helps to guide the selection of the funding mechanism—grant, cooperative agreement, or contract—that forms the relationship between USAID and a potential partner. Finally, the **Competition in Contracting Act**, which is a foundation for the FAR, is a law that mandates open competition to reduce costs.

SLIDE 6: Glossary

Now, we will review some common terms and abbreviations, so you can begin to understand the language included in assistance solicitations. This also will help you understand what USAID is seeking in concept notes and applications.

- USAID primarily uses two types of Notices of Funding Opportunity (NOFOs), a **Request for Application (RFA)** and an **Annual Program Statement (APS)**. They state the requirements of concept notes and applications and explain how USAID will evaluate submissions to select a recipient or awardee.
- According to Federal Acquisition Regulations, **line items** in your budget are designed to define deliverables or organize information about deliverables. Each line item in the budget describes characteristics for each item purchased, such as pricing, delivery, and funding information.
- A **Negotiated Indirect Cost Rate Agreement (or NICRA)** is a document that reflects an estimate of indirect cost rates negotiated between the U.S. Government and a U.S. organization. It may take new partners some time to establish a NICRA. Before their NICRA is in place, partners may instead use a 10-percent de minimis rate pursuant to USAID's approval.
- A **financial review** is an analysis of a USAID-funded organization's financial policies, procedures, systems, and controls. A financial review helps the Agency make sure a financial

management system is in place and working properly in accordance with financial regulations. The information in a financial review can also help a partner improve its financial systems.

- **Cost share** refers to the resources a partner contributes to the total cost of an agreement.
- An **Agreement Officer's Representative (AOR)** is your main point of contact with USAID for technical matters on an assistance award. The AOR performs a variety of duties associated with award administration and technical functions, including serving as the technical liaison between the partner and the Agreement Officer (AO), who holds decision-making authority related to the award. The AOR monitors the partner's performance and may be delegated certain functions and authorities that are otherwise vested in the AO.

Find links to additional terms and acronyms, as well as details on using the 10-percent de minimis rate, in the "Resources" section at the end of the module.

SLIDE 7: Grants

Let us take a moment to briefly go over the two main types of USAID assistance awards. These are grants and cooperative agreements.

Grants are used to accomplish a public purpose where substantial involvement by USAID is not anticipated.

Grants are appropriate for certain types of activities, including conferences, studies, surveys, workshops, policy papers, disaster or humanitarian relief, and technical development assistance when costs can be segregated by milestone.

Grants enable a partner to complete proposed activities while USAID helps the organization build institutional capacity and strengthen and improve internal procedures, systems, and policies.

SLIDE 8: Cooperative Agreements

Cooperative agreements also accomplish a public good, but USAID has limited, predefined elements of involvement as stated in the award agreement.

The level of substantial involvement USAID anticipates is relative to the project, rather than an absolute. The Agency must always have some involvement in assistance awards, for example by monitoring performance, reviewing reports, or providing approvals required by regulations.

Substantial involvement may include (but is not limited to) the approval of implementation plans and approval of specified key personnel, generally no more than five leadership positions or 5 percent of employees working under the award.

The Agreement Officer (or AO) or Agreement Officer's Representative (or AOR) may authorize collaboration with USAID when the Agency's technical knowledge might help a partner succeed.

You should read the “substantial involvement” section of the solicitation or agreement to understand the role USAID will play.

Assistance awards are governed by rules found in the Automated Directives System (or ADS), Chapter 303.

DIVIDER SLIDE: Solicitations

Now that you are familiar with the two types of assistance awards, we will discuss how to evaluate activity criteria under the terms of these grants and cooperative agreements. This will allow you to identify whether a specific solicitation or funding opportunity might be a good fit with your organization.

SLIDE 10: Identify Opportunities (GRAPHIC)

You can find assistance opportunities on Grants.gov. There, click on the “Search Grants” tab and you can use filters—such as keyword or location or even USAID—to narrow your search.

Another place to find Agency solicitations is USAID.gov. This is where you will find USAID’s Business Forecast, which is updated daily. There, you can search for information about potential opportunities and use filters to sort by date, sector, and award type.

SLIDE 11: Find a Good Fit

When you identify a solicitation you are interested in, read it carefully to understand exactly what USAID is looking for. Details of what is being funded will help you determine whether an activity is a good fit for your organization. If you decide to submit a proposal or an application for funding, these details will guide your budget preparation.

When you evaluate an assistance solicitation:

- First, determine the main parameters of the award’s requirements.
- Second, review the description of the activity, or work to be performed in the RFA or APS.
- Third, read the instructions on preparing your budget several times. They tell you how to prepare your technical and cost proposal.
- Fourth, closely examine the evaluation criteria USAID will use to review applications and select a partner.

We will explore these steps in the next few slides.

SLIDE 12: Determine Parameters (GRAPHIC)

The first step is determining the solicitation's main parameters. You can usually find them on the first page of the solicitation.

There is some basic information about a funding opportunity you should note. In this example of a Request for Applications, or RFA, from USAID/Pakistan, you can see in the first paragraph that the anticipated life of this award is approximately five years. The overall estimated amount is 60 million dollars for this cooperative agreement.

Most solicitations will also include a closing date for questions to be submitted and an application submission deadline. You can see these at the top of this example.

SLIDE 13: Determine Parameters (GRAPHIC)

Here is another example of parameters from the USAID Mission to the West Bank and Gaza. In addition to the parameters mentioned in the previous slide, you will notice, circled in red, which organizations are mentioned as eligible, a request that prospective recipients include local expertise and local institutions, and which regulations govern different types of organizations.

The RFA states that prospective partners will need to demonstrate fiscal responsibility. Again, notice that profit is *not* allowed under USAID assistance rules.

SLIDE 14: Review Activity Description

Once you understand the general parameters of the RFA or APS, the next step is to carefully read the activity description.

In this section, USAID provides an activity's goals, objectives, and anticipated results; suggested interventions; and innovative solutions to the stated problem or results envisioned.

As you read this portion of the solicitation, assess whether the goals, objectives, and anticipated results fit your organization's strengths, expertise, and past performance. Also consider what materials and staff you need to implement the contract.

USAID often asks applicants to copy the activity description or work statement into their technical proposals. The winning partner's work statement is then inserted into the final award.

SLIDE 15: Budget Preparation Instructions (GRAPHIC)

It is important to read the instructions for preparing a budget proposal several times. This part of the RFA or APS will detail how you should submit your cost and what formats USAID expects to see when

you present your budget information. *Every* detail is essential. A template you should use for preparing your budget may be included (in this case, where the red arrow is pointing on the slide).

Carefully read the instructions for creating your budget to ensure that you understand and can provide the required information. You will find important information and guidance, such as submission details, required forms and formats, cost and budget category details, and references to applicable regulations.

Many RFAs will also include agreement requirements. These requirements will include details and rules to follow when preparing the sections of your budget.

SLIDE 16: Evaluation Criteria for Cost Proposals

USAID will evaluate your cost proposal and level of effort on three points.

First, are your proposed costs **reasonable**. Reasonable costs are generally recognized as ordinary and necessary and would be incurred by a prudent person or organization.

Second, are they **allocable**, or costs that are incurred specifically for the award.

Third, are your proposed costs **allowable**. These would include costs that are not disallowed by terms of the award.

Your budget will be incomplete if any one of these criteria is absent. To avoid this, conduct a final review to ensure your cost proposal properly fulfills the criteria—and, most importantly, whether it demonstrates to evaluators that you clearly understand the contractual requirements—before you submit.

SLIDE 17: Solicitations (Summary)

To summarize, when you are considering a solicitation, you can determine whether the opportunity is a good fit for your organization by carefully reviewing all the details. Look carefully at the requirements of the solicitation or NOFO, award management expectations, budget, and evaluation criteria.

Remember, USAID funding is awarded on a competitive basis. You will want to carefully assess whether your organization is ready to submit a successful application that fits with your organizational capabilities and plans. Do not be concerned if you determine that your organization is not ready yet; there will be other opportunities in the future.

DIVIDER SLIDE: Cost Proposal Requirements

Now that we have discussed how to determine whether your organization is ready for funding opportunities, we will review the elements of a proper budget proposal. The following slides cover

details you need to include in sections of the proposal—but remember, we are not covering everything you will need to address in the proposal. Read the instructions carefully and be sure to ask for assistance.

SLIDE 19: Cost Principles

First, review the cost principles, or rules, that govern your type of organization. Use the Code of Federal Regulations (CFR) to determine which cost principles you must follow when preparing your proposal.

Is yours a commercial organization? These organizations use CFR Title 48, Part 7, as well as FAR Part 31 and AIDAR Part 731.

Nonprofits use CFR Title 2, Part 230.

Educational institutions use CFR Title 2, Part 220.

Overall guidance on administrative, cost, and audit principles may be found at CFR Title 2, Part 700.

Links to these rules are provided in the “Resources” section at the end of this module.

The solicitation typically provides guidance about the budget format and templates to use.

All costs should be explained in detail and include sources of estimates, such as vendor quotes or previous activities. This will help USAID evaluators understand the cost implications of your proposed activities.

SLIDE 20: Budget Categories (GRAPHIC)

Assistance proposals must be prepared using Standard Form 424A, called “Budget Information for Non-Construction Programs,” which clearly lists the major categories of the budget.

Each solicitation will provide details about the required categories you must complete. They typically include salaries and wages; fringe benefits and allowances; travel and transportation; equipment and supplies; awardees, subawardees, grantees, and subgrantees; other direct costs; and indirect costs. As we discuss each of these categories, we suggest you write down any questions you have to review with your Agreement Officer.

An important point to remember is that you must present all of your budget figures in U.S. dollars. You cannot submit an application or proposal for USAID funding in a foreign currency.

Our focus in this module is on preparing budgets for assistance solicitations. You can also explore the “Preparing Budgets for Acquisition Awards” training module. A link is provided in the “Resources” section at the end of this module.

SLIDE 21: Salaries and Wages

The first section in every assistance budget proposal is called “Salaries and Wages.”

Every solicitation asks for a list of key personnel and staff required for your project. These are the people necessary to carry out the activity. Your budget proposal should include the following for each key individual you have identified at the time of the proposal submission:

- Position;
- Name;
- Nationality;
- Daily rate;
- Number of proposed workdays; and
- Total costs.

Remember, you must follow the requirements and salary limits provided.

For personnel *other* than the key personnel, you will include the same details, except for names.

For proposed workdays, you may be asked to indicate long-term or short-term personnel involvement as a number of days or as a percentage. For example, 50 percent implies that a person will be working 50 percent of his or her time on the activity. The NOFO will give you the method you should use to calculate proposed workdays or the level of involvement.

It is important to be aware of how you will calculate and justify cost escalations for personnel. You want to make sure you account for salary increases based on inflation. If you *don't* calculate this adjustment, it can result in under-budgeting and an unrealistic budget that does not allow you to complete the work with fair and reasonable pricing.

A properly projected, properly constructed budget helps your organization show its capacity and sustainability and build a relationship with USAID.

SLIDE 22: Fringe Benefits and Allowances

In addition to salaries and wages, an organization may provide employees with *fringe benefits*—such as vacation days, health insurance, and retirement benefits. Remember, fringe benefits vary from country to country, so you want to make sure you are in compliance with local labor laws.

These may be presented as direct costs or as a percentage as authorized by a Negotiated Indirect Cost Rate Agreement, or NICRA. For partners with an approved NICRA, the Agency often preapproves fringe benefit rates. Partners without a preapproved fringe benefit rate may opt for the 10-percent de minimis rate or propose a different rate and explain in detail how the proposed rate was determined.

If you are proposing a fringe benefit rate, your budget narrative must include a detailed breakdown of all fringe benefits and their costs, expressed both in U.S. dollars and as a percentage of salaries. Be sure to include benefits types for both international and cooperative country national staff as needed.

In addition to fringe benefits, *benefit allowances* may be given to certain staff for costs such as housing, storage, and education. Allowances must be broken down by specific type (such as danger pay or housing) and by person. The U.S. Department of State's Office of Allowances has a website where you can find allowance rates by country. This is called the Department of State Standardized Regulations, or DSSR, and you can find a link to the site in the "Resources" section of this module.

SLIDE 23: Travel and Transportation

In your budget proposal, it is important to clearly separate domestic and international travel costs.

Your proposal must provide the number of trips you anticipate—*both* domestic and international—and the estimated cost per trip, including airfare and per diem, which covers expenses such as lodging and food.

Be sure to clearly describe the basis of your calculations. For example, you may provide a description explaining that a unit cost is based on a quotation provided by travel agency Fly High, per diem is calculated for "X" days in-country, and so on.

Each international trip must be approved in advance. Also, whenever possible, the trip must comply with the Fly America Act, which governs the use of U.S. air carrier services for travel that is funded by U.S. Government awards. Your travel plan must list the origin and destination, purpose, duration, and the number of people traveling.

Before filling out this section, review USAID travel regulations and the lodging limits and standard per diem reimbursements. You can find more guidance on per diem rates on the website of the U.S. Department of State's Office of Allowances, a link to which is provided at the end of this module.

SLIDE 24: Equipment and Supplies

"Equipment and Supplies" is the next section of your proposal. Federal and USAID rules require you to break down and explain pricing and to justify all equipment and supplies.

For assistance awards, equipment and supplies are always *two* separate sections. USAID requires costs to be broken down by types and units.

Equipment, which is also called non-expendable personal property, is defined as tangible property with a useful life of more than two years and a unit cost of more than 500 U.S. dollars.

Supplies include all other items that cost less than 500 dollars and consumable supplies, such as pens, pencils, and paper.

For higher-cost equipment, such as vehicles, be sure to explain why it would be more advantageous to purchase equipment rather than lease it. Certain equipment categories—such as medical equipment or used equipment—require separate approvals from USAID. You should highlight these separately.

SLIDE 25: Subgrantees and Subawardees

USAID awards may be given to consortia, or groups, of partners. One “prime” awardee or recipient organization will include in its budget the costs for other partners that help with activity implementation.

These sub-partners are called “subgrantees” or “subawardees” on assistance awards. Sub-partners help make programming decisions and performance is measured against activity goals. It is important to know that the prime organization bears fiduciary responsibility for its sub-partners.

If you are the prime recipient or lead contractor, you need to request approval for proposed subs in your budget. The budget total for each sub should be included in your overall detailed budget worksheet.

To ensure that your budget is complete, you should submit a detailed budget for each sub-partner in a separate worksheet or tab of your Excel file. The format of a sub-partner’s budget should be the same as that of the prime’s budget and include relevant cost categories.

USAID partners may also work with contractors and consultants to meet activity objectives. In your budget, you must define which you are working with to properly account for their costs.

In the “Resources” section, you can access the “Building Strong Sub-Partnerships” training module so you can learn more about how to build strong partnerships with other organizations.

SLIDE 26: Consultants

Partners may also work with consultants to meet activity objectives. A consultant is a technical expert or specialist who is not your regular employee. Consultants must not be employees in disguise.

A consultant is also considered a subcontractor. In this section of the proposal, you should include any consultant labor costs.

If your technical approach requires the use of grants under contract, these costs should be included in this section of the budget.

SLIDE 27: Other Direct Costs

The “Other Direct Costs” section of your proposal generally includes two types of costs: field office operations costs and programmatic costs. Sometimes the line between these two categories is difficult to determine. Do your best to assign direct costs to either the operations or programmatic function.

Some costs require substantial market research in order to obtain local estimates. These include costs for venues, training materials, lodging and meals, and transportation. Do not forget to include costs for branding and marking and costs associated with environmental compliance. These are important aspects of your overall compliance with USAID policies, and you want to make sure they are properly and adequately budgeted for.

Although the category is called “Other Direct Costs,” you also must carefully identify and estimate any indirect costs. We will cover that in the next slide. Do not simply insert a line item in your budget called “other costs” or “miscellaneous costs.”

SLIDE 28: Indirect Costs

Indirect costs include expenses that cannot be attributed to one activity or award, such as costs in the head office for implementing multiple activities or awards. Examples include utilities, such as electricity and water, or services needed for operations, such as information technology support.

Rates for indirect costs may be submitted in two ways.

Established partners—in other words, those that have longer experience with USAID—would typically apply preapproved rates from a NICRA with the Agency.

It usually takes some time to establish a NICRA agreement. If you don’t have one, your organization will probably be considered a “new partner.”

New partners without a NICRA may opt to use a 10-percent de minimis rate for indirect costs, pursuant to USAID’s approval. You may be asked to provide supporting documentation before your de minimis rate is approved.

Learn more about the de minimus rate for indirect costs through the link provided in the “Resources” section at the end of the module.

SLIDE 29: Budget Narrative

The budget narrative section of the application enables USAID to see precisely how money will be spent to implement the activity. It includes explanations of budget categories, descriptions and justifications of each line item in your proposed budget, and sufficient detail to allow USAID to assess proposed costs.

To make it easier for reviewers to understand, ensure that your budget narrative follows the exact format of your detailed budget. Do not describe mathematical transactions; rather, explain the rationale for the proposed costs.

Remember, it is very important to make sure that your budget narrative is strong. It should clearly explain the basis for costs and it must be *comprehensive*, so it presents all the information required. It must also be *consistent* with your cost totals and the interventions you describe in your technical proposal.

SLIDE 30: Detailed Budget Example (GRAPHIC)

Here is an example of how a budget is structured. Costs are estimated for the full period of performance, that is, for every year of the program. Budget categories appear in the column to the left, and many times you will see the number of units and the cost per unit calculated for each budget category for each year. Costs are totalled for each category across all years and across all categories for each year. Notice that cost calculations must include indirect percentage rates and inflation factors.

This is just one way to present your proposed budget. On the USAID.gov web page for this training module, you can find a sample budget template you can use to explore the structure and information needed when preparing your budget. Remember, though, that USAID may provide an alternative template and instructions for a given assistance solicitation you are interested in.

SLIDE 31: Detailed Budget Example (GRAPHIC)

This slide shows part of a travel section from a detailed budget. The details here are referred to in the budget narrative, which we will see on the next slide. Notice that each category in the budget has been given a unique number to identify it. These numbers will match the relevant sections of the budget narrative.

SLIDE 32: Budget Narrative Example (GRAPHIC)

Here is an excerpt of the matching budget narrative. This is an example of the type of language and details USAID expects you to include to explain each line item. Make sure the numbers included in the narrative match the category numbers in your detailed budget.

SLIDE 33: Sample Budget Summary (GRAPHIC)

The budget summary is a brief view of your entire budget for easy reference. This sample budget summary includes the budget's major categories and shows costs by year, in addition to totals for three years.

You can generate a budget summary from the detailed budget worksheet you create in Excel or other budget software. To do this, simply create a separate “Budget Summary” tab and link the category totals to the budget summary category lines. Doing so will also ensure that all amounts are correct.

The budget summary is usually the last section of your budget preparation process.

SLIDE 34: Team Coordination

A proper budget application for a USAID award involves researching many details and carefully thinking about the way you will implement the interventions you propose. This should be a team effort. It requires collaboration among different departments of your organization to ensure that all pieces of your proposal are aligned.

As you prepare the budget proposal, coordinate with different teams across your organization. With your technical team, ensure that proposed costs match the program design. With your human resources team, confirm that labor costs are in line with negotiated costs and your policies. With your in-country team, ensure that travel and other costs are reasonable and appropriate.

Be sure to include time for a final review of the proposal by colleagues who would administer any award agreement.

SLIDE 35: Key Points

We covered a lot of information in this module. Let us review some of the key points.

To successfully prepare a budget for a USAID assistance award, you should:

- Evaluate a solicitation’s main parameters and the description, specifications, or statement of work. This will help you determine whether the funding opportunity is a good fit for your organization’s strengths and past performance.
- Review all aspects of a solicitation’s instructions. This helps you ensure that you understand the forms and information that are required and the regulations you must follow.
- Include details and sources for your cost proposal. This allows USAID to see that your budget is reasonable, allocable, and allowable.
- Coordinate with relevant team members to confirm that proposed costs match activity design and your policies.
- Finally, develop a budget narrative that clearly explains costs for different line items.

We encourage you and your staff to download the quick reference guide so you can easily refer to the information you learned in this module. You can find additional guidance in other modules of the “How to Work with USAID” training series.

SLIDE 36: Resources

Here are the resources we shared during this training module. On the USAID.gov web page for this training module, you can find a sample budget template we mentioned earlier. This may help you explore the structure and information needed when preparing your budget.

SLIDE 37: Thank You

Thank you for taking time to learn about USAID's requirements for preparing budgets for USAID assistance funding opportunities. We hope this training module has been helpful.

We invite you and your staff to review the other modules available in our "How to Work with USAID" training series to continue improving your skills and understanding of the Agency's operations.

SLIDE 38: Acknowledgement

This module was produced by the United States Agency for International Development. The presentation team includes staff from USAID and the Partnerships Incubator.

USAID thanks all the individuals who contributed their time and ideas toward the development of this training module.

Please email any feedback and questions to IndustryLiaison@usaid.gov.